
Trade as an Element of National Security

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[The following are excerpts from the speech presented to the California Chamber of Commerce International Trade Breakfast in, San Francisco, California, December 5, 2003.]

My topic today is how trade fits into US national security interests. How growth contributes to our security trade liberalization is a key pillar to self-sustaining growth for our economy, for growth in other industrialized countries, and, in particular, for growth in developing countries, your customers and suppliers not only in the future, but today as well.

Economic growth brought about by free trade, free markets, and investment creates new jobs and raises incomes. The effect of such growth lifts people out of poverty as it spurs economic reform. But trade is not just about economics. Free trade is about freedom and open societies. With all our developing countries partners with whom we are negotiating free trade agreements, in such places as Central America and Southern Africa, we seek to establish the basic building blocks for sustainable development, private property rights, competition, the rule of law, transparency, the free flow of technology, and regional integration. People who trade with each other and invest in each others economies are less likely to wage war against each other. In essence, a strong world economy based on free trade and solid investment regimes advances not only prosperity, but also peace and freedom around the world, thereby enhancing our own national security.

Trade Liberalization Benefits

Both at Home

We have seen a virtuous circle on trade at work in our own economy as total trade as a percentage of overall output has grown from around ten percent three decades ago to nearly thirty percent today. Trade was a major, though mostly underestimated aspect of US growth throughout the 1990s. As a result of North Atlantic Free Trade Agreement (NAFTA) and the World Trade Organization's Uruguay Round of tariff cuts in the 1990s, lower cost goods now available in nearly every store in America save an average American family of four \$1,300 to \$2,000 each and every year. The gains could be greater. A University of Michigan study projects that lowering US import tariffs by just one third more would boost family purchasing power by an additional \$2,500.

As trade grows, it brings our economy more competition and lower prices, and this engenders higher living standards, lower costs for business, and this in turn means more consumption and more investment, making our economy more resilient, more competitive, and stronger. And, in turn, a stronger economy has increased export capacity and higher demand for imports, completing the virtuous circle.

And Abroad

I am probably preaching to the choir here, but the benefits of trade liberalization far outweigh the benefits of foreign aid. Not to minimize the importance of foreign assistance which wisely channeled can play an important part in creating the conditions that attract trade and investment in the first place, but helping developing countries to participate fully in the World Trade organization (WTO) and the global economy provides several times the benefits in growth and development than foreign aid alone.

According to the World Bank, total free trade in all goods, including agriculture, would result in a gain in world income of some \$830 billion; 65 percent of which would flow to developing countries, helping an estimated 300 million people escape out of poverty more than the entire population of the United States. In contrast, developing countries receive only about \$50 billion a year in direct assistance from donor governments.

Anti-globalization activists claim that developing countries have little to gain and much to lose from trade and growth. In fact, abundant research demonstrates that developing countries have much to gain from opening their markets to trade and everything to lose by staying closed to global commerce. The impact of trade is one of the issues that distinguishes South Korea from North Korea, for example.

When trade grows, income grows. The World Bank conducted a study of developing countries that opened themselves to global competition in the 1990s, and of those that did not. The income per person for more open developing countries grew more than five percent a year, while incomes in more closed poor countries grew just over one percent.

The World Trade Organization

Despite the disappointment over the lost opportunity at Cancun, we remain committed to the World Trade Organization and to the Doha Development Agenda. We have made bold and sweeping proposals to liberalize trade in both agricultural and industrial goods. Concrete progress on removing those trade barriers would still be the most significant contribution that WTO members could make to global economic development.

Regional and Bilateral Trade

The fate of trade liberalization does not depend solely upon what happens at the WTO. We will also continue to pursue regional and bilateral free trade agreements with countries that share our commitment to undertaking meaningful economic reform and trade liberalization.

From Soweto to San Salvador to Singapore to Santiago, America is opening new markets and commercial opportunities for America's and California's, companies, farmers, and ranchers through new free trade agreements in every corner of the world. We have just completed agreements with Chile and Singapore. We are working on agreements with Australia, Morocco, Guatemala, Honduras, El Salvador, Costa Rica, Nicaragua, South Africa, Botswana, Namibia, Lesotho, and Swaziland. Next year we will likely open negotiations with such partners as Thailand, Sri Lanka, Bahrain, Panama, the Dominican Republic, Peru, Ecuador, Colombia, and Bolivia. We are working to create a more open global trade in services, creating opportunities for Americans holding service jobs in such sectors as engineering, advertising, business consulting, travel, tourism, law, education, and the environment. We are trying to stimulate American and global innovation and creativity by upgrading intellectual property rules to match technological innovation, insisting on protection against piracy, but at the same time assisting developing countries with special adjustment needs, such as their need to treat infectious diseases such as malaria, tuberculosis, and human immune-deficiency virus/acquired immune deficiency syndrome.

All along we work hard to keep our commitment to America's workers and businesses for fair treatment. This includes ensuring that China understands the sensitivity of the bilateral trade deficit and takes measures to reduce it, such as by buying more California and US products. In the midst of all the China bashing recently, here are a few little known facts: China is the fastest-growing export market for US goods. In the first eight months of this year, US exports to China are up 20 percent, compared to a similar period in 2002. Indeed, China's imports are growing faster than its exports up 40 percent this year. California exported \$4.5 billion worth of products to China in 2002, half of which was in computers and electronic products. One major US

corporation alone imports ten percent of all the Chinese exports to this country, and much of that activity flows through California ports. The bottom line: there is a tremendous potential upside for the United States in our trade with China.

Making Trade Safe and Secure

Now let me take a moment to talk about what we are doing to make international transportation of people and goods safe and secure. The United States is the world leader in transportation security. We have worked successfully with foreign governments and international organizations to ensure the safety of passengers and cargo. Maritime shipping is among the most international of transport industries, but it is also one of the most exposed to the danger of terrorist attack. We have taken a number of steps to protect our ports and seaways, including implementation of new national and international security requirements for ships, ports and terminals, requirements for more information about ship arrivals and cargoes, and enhanced container security measures.

Role of Business

If trade is the engine of growth, our business community provides the pistons. As always, we are looking for partnership with the business community and leadership from you, the CEOs and leaders of America's firms, industries, and organizations. We need your help in promoting growth and the expansion of opportunity through liberalization of trade and investment regimes. At the same time, the Department of State in Washington and our embassies abroad stand ready to assist US business in addressing trade and investment barriers. Secretary Powell feels so strongly about this that he has made it part of the job description for ambassadors and other senior State Department officials.

American business understands that beyond bottom lines and stock prices, they are ambassadors of American values like democracy, freedom and respect for human dignity. And you, members of the American business community and private sector, do this best in a competitive, free trade, global marketplace.

Conclusion

In the end, much history of this era will be written about how we overcame the dangers of terrorism and tyrants in the Persian Gulf and Central Asia to build a safer world for all, but especially for America. Yet our history will also record how we turned to a page of opportunity for trade, growth, development, and economic security, in California, in the United States, and throughout the world. We have composed a new chapter for poorer families around the globe who could become full participants in the gains of a global economy; and how we drew links between trade and political liberty abroad and between trade and security at home.